

Where's My Check? The Ins and Outs of "Capital Credits"

At Socorro Electric Cooperative (SEC), we get lots of questions from members about capital credits: What are they? How much do I have? Who decides how much I get? When do I get paid? What happens to them when someone passes away?

To understand capital credits, let's start with the difference between a non-profit rural electric cooperative and a for-profit company, like PNM. Investors own PNM, so it pays profits to its shareholders but not to every electric-service customer. For SEC, on the other hand, everyone with an account for electric service is a member. In a given year, the co-op gives every member capital credits if the co-op made more money than it spent, but only if you were a member that year. Your capital-credit account has records for each year you've been a member.

The Board of Trustees determines the value of your capital credits based on how much electricity you used in that year compared to overall electricity usage across the co-op. We keep track of all your capital credits in your capital credit account, but they are not cash. They're more like an IOU. By paying your electric bill and getting capital credits, you're making a no-interest loan to the co-op.

Investments, Not Cash on Hand

The capital credits are not cash sitting in an SEC checking account. They're spoken for in various ways, including investments in our own electric facilities to provide service to you. Taken all together, our members' capi-

Your Capital Account

Check your May or June electric bill for your 2013 capital credit allocation. Your capital account address is different from your billing address.

Be sure to keep SEC informed of your current address, especially if you move and close your account.

tal credits allow us to secure financing and they support long-term SEC investments. When SEC borrows from national lenders, we keep a required amount of capital credits always in the account. That shows we have financial stability to back up the loan. For that reason, the board balances careful financial management with paying you back for capital credits.

Rules for Paying Off Capital Credits

The SEC by-laws spell out the rules the board follows for paying off capital credits to members. When the board determines the co-op's financial condition justifies payments, we mail checks to all current and former members who had an account with us in the year being paid off. The by-laws forbid making individual exceptions to the timing of payments. However, when someone passes away, the by-laws allow the board—but don't require it—to pay off capital credited to the deceased member's estate.

Like rural co-ops everywhere, SEC typically does not pay off your capital credits the same year you earned them. The payouts recently have been for capital credits earned more than 30 years ago. However, the board can choose to pay just a portion of a year's allocation or to pay off capital credits from more recent years. Today the board is moving toward a 25-year payment cycle. In 2013, to help catch up, we paid \$1.1 million of capital credits for 1978–1983.